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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8- 24674

FEB 26 2004

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2003 AND ENDING DECEMBER 31, 2003  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ~~Fort Washington Brokerage Services, Inc.~~

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
Fort Washington Brokerage Services, Inc.

400 BROADWAY, 4TH FLOOR

(No. and Street)

CINCINNATI, OHIO

(City)

(State)

45202

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

TERRIE A. WIEDENHEFT

(513) 362-8242

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

ERNST & YOUNG LLP

(Name - if individual, state last, first, middle name)

1900 SCRIPPS CENTER, 312 WALNUT STREET CINCINNATI, OHIO 45202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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Handwritten signature/initials

## OATH OR AFFIRMATION

I, TERRIE A. WIEDENHEFT, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FORT WASHINGTON BROKERAGE SERVICES, as of DECEMBER 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signature

Title

Sandra J. Harley  
Notary Public

SANDRA J. HARLEY

Notary Public, State of Ohio

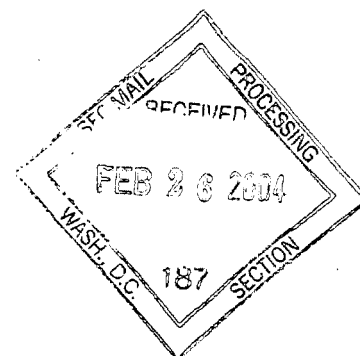
My Commission Expires 12-5-05

Recorded in Clermont County

This report \*\* contains (check all applicable boxes):

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



# Financial Statements and Supplementary Information

## Fort Washington Brokerage Services

*Year ended December 31, 2003  
with Report of Independent Auditors*

# Fort Washington Brokerage Services

## Financial Statements and Supplementary Information

Year ended December 31, 2003

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## Report of Independent Auditors

Board of Directors  
Fort Washington Brokerage Services

We have audited the accompanying statement of financial condition of Fort Washington Brokerage Services, an indirect wholly owned subsidiary of Western and Southern Life Insurance Company, as of December 31, 2003, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Washington Brokerage Services at December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst & Young LLP*

January 23, 2004

# Fort Washington Brokerage Services

## Statement of Financial Condition

December 31, 2003

### Assets

Cash and cash equivalents (including investments in affiliated mutual funds of \$1,350,073)	\$ 1,907,469
Unaffiliated accounts receivable	207,105
Affiliated accounts receivable	55,945
Deposit with clearing broker	50,000
Software licensing fees (net of accumulated amortization of \$96,329)	25,396
Prepaid expenses	97,486
Total assets	<u>\$ 2,343,401</u>

### Liabilities and Stockholder's Equity

Accounts payable and accrued expenses	\$ 190,411
Deferred revenue	198,374
Payable to related parties	79,026
Federal income tax payable to affiliate	3,741
Deferred tax payable	4,693
Total liabilities	<u>476,245</u>

### Stockholder's equity:

Common stock, no par value; 500 shares authorized, 150 shares issued and outstanding	10,000
Contributed capital	2,132,353
Accumulated deficit	(275,197)
Total stockholder's equity	<u>1,867,156</u>
Total liabilities and stockholder's equity	<u>\$ 2,343,401</u>

*See accompanying notes.*

# Fort Washington Brokerage Services

## Statement of Operations

Year ended December 31, 2003

### Revenue

Commissions	\$ 875,418
Management service fees from affiliates	916,730
Interest and dividends	<u>7,706</u>
Total revenue	<u>1,799,854</u>

### Expenses

Employee compensation and benefits	643,895
Shared services expenses	320,498
Selling, general and administrative	381,725
Commission, execution and clearance fees	384,370
Professional fees	16,126
Occupancy	41,586
Depreciation expense	<u>13,250</u>
Total expenses	<u>1,801,450</u>

Loss before provision for income taxes	(1,596)
Income tax benefit	<u>1,596</u>

Net income	<u><u>\$ -</u></u>
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*See accompanying notes.*

Fort Washington Brokerage Services

Statement of Changes in Stockholder's Equity

December 31, 2003

	Common Stock	Contributed Capital	Accumulated Deficit	Total Stockholder's Equity
Balance - December 31, 2002	\$ 10,000	\$ 2,132,353	\$ (275,197)	\$ 1,867,156
Net income	-	-	-	-
Balance - December 31, 2003	<u>\$ 10,000</u>	<u>\$ 2,132,353</u>	<u>\$ (275,197)</u>	<u>\$ 1,867,156</u>

*See accompanying notes.*



Fort Washington Brokerage Services

Statement of Cash Flows

Year ended December 31, 2003

**Cash flows from operating activities**

Net income	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	13,250
Changes in operating assets and liabilities:	
Affiliated accounts receivable	(47,644)
Unaffiliated accounts receivable	(117,205)
Federal tax receivable	655
Prepaid expenses	6,722
Accounts payable and accrued expenses	44,550
Payable to related parties	(16,447)
Federal tax payable	3,741
Deferred tax payable	94
Deferred revenue	162,587
Net cash provided by operating activities	<u>50,303</u>
Net increase in cash and cash equivalents	50,303
Cash and cash equivalents at beginning of year	<u>1,857,166</u>
Cash and cash equivalents at end of year	<u>\$ 1,907,469</u>

*See accompanying notes.*

# Fort Washington Brokerage Services

## Notes to Financial Statements

December 31, 2003

### 1. Organization and Nature of Business

Fort Washington Brokerage Services, Inc., (the "Company") is an Ohio corporation and a registered securities broker-dealer under the examining authority of the National Association of Securities Dealers, Inc.

The Company is a wholly owned subsidiary of Western-Southern Life Assurance Company (WSLAC), a wholly owned subsidiary of Western and Southern Life Insurance Company (Western Southern). 100% of the Company's revenues are generated through affiliated transactions.

### 2. Significant Accounting Policies

#### Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts and investments in money market funds. At December 31, 2003, the Company had deposited funds of \$50,000 with an unrelated clearing firm.

#### Commission Income

Commission income is recognized for distribution related services when investment contracts are executed and recognized on securities transactions based on the trade date.

#### Depreciable Assets

Software licensing fees are recorded at cost and are amortized on a straight-line basis, using an estimated useful life of three years.

#### Income Taxes

The Company is included in the consolidated federal income tax return with Western and Southern. Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, requires a systematic and rational allocation of tax expense to members of the consolidated group. Accordingly, the Company records a provision for income tax expense under the separate return method as permitted under SFAS No. 109. The benefit from losses of the Company shall be available to offset the Company's future taxable income within the period of limitations, in accordance with the Company's tax sharing agreement. Differences between the effective tax rate and the federal income tax rate are due to adjustments for dividends received, meals and entertainment. The Company received \$6,086 for income taxes in the current year. The amount of taxes currently payable to Western and Southern as of December 31, 2003 was \$3,741.

## Fort Washington Brokerage Services

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 3. Related Party Transactions

Investments held in affiliated mutual funds totaled \$1,350,073 as of December 31, 2003. Dividend income generated on these investments totaled \$4,177 for the year ended December 31, 2003.

The Company participates in a management service arrangement with affiliates whereby it receives revenue for services provided and pays expenses for services received from affiliates. During 2003, the Company recognized \$957,412 in revenue for services provided and incurred \$40,682 in expenses under this arrangement. Additionally the Company has recorded \$198,374 of deferred revenue relating to cash received that has not been earned as of December 31, 2003 under this arrangement. Such revenues are generally set at an amount that allows the Company to break even.

The Company shares common facilities, equipment, personnel and administrative services with affiliated entities. The Company reimburses such entities for the use of facilities, equipment, personnel and services based generally on office space utilized, direct payroll costs incurred and out-of-pocket expenses. The Company incurred expenses of \$320,498 for services provided by affiliates for the year ended December 31, 2003.

#### 4. Pension Plans

The Company is covered under the Western-Southern Affiliated Company Employee Retirement 401(k) Savings Plan (the Savings Plan) which is a contributory plan covering all eligible full-time employees. The Savings Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions by the Company amounted to \$3,386 for the year ended December 31, 2003.

## Fort Washington Brokerage Services

### Notes to Financial Statements (continued)

#### **4. Pension Plans (continued)**

Additionally, the Company is covered under the Western-Southern Affiliated Companies Retirement Plan (the Retirement Plan), which is a defined contribution plan, established on January 1, 1992, to provide eligible participants with additional income after retirement. Eligible participants include employees of the Company, who are over twenty-one years of age and have more than 1,000 hours of service during a twelve-month period. Under the Retirement Plan, each participant is provided with an allocation of the Company's contribution that is determined by resolution of the Board of Directors. The Retirement Plan is subject to provisions of ERISA. Contributions by the Company amounted to \$27,004 for the year ended December 31, 2003.

#### **5. Regulatory Requirements**

The Company is subject to the Uniform Net Capital Rule, Rule 15c3-1 (the "Rule"), promulgated by the Securities and Exchange Commission, which requires that the Company maintain a minimum net capital of \$250,000 and a ratio of aggregate indebtedness to net capital not to exceed 15 to 1, as those terms are defined by the Rule.

At December 31, 2003, the Company's net capital, as defined, was \$1,258,052 which was \$1,008,052 in excess of the minimum net capital requirement, and its ratio of aggregate indebtedness to net capital was 0.38 to 1.

#### **6. Exemption from Rule 15c3-3**

The Company carries no customer accounts and promptly transmits all customer funds and securities to its clearing brokers. Accordingly, the Company is exempt from the provisions of Rule 15c3-3 of the Securities and Exchange Commission.

## **Supplementary Information**

Fort Washington Brokerage Services  
Schedule I - Computation of Net Capital  
Pursuant to Rule 15c3-1 of the Securities Exchange Commission

December 31, 2003

**Computation of net capital**

1	Stockholder's Equity	\$ 1,867,153
	Less non-allowable assets:	
2	Other receivables	263,050
3	Prepaid assets	97,486
4	Software licensing fees, net	25,396
5	Haircuts on securities held	26,999
6	Net capital before fidelity bond deduction	1,454,222
7	Less fidelity bond deduction	196,170
8	Net capital	<u>\$ 1,258,052</u>

**Computation of aggregate indebtedness**

9	Total aggregate indebtedness liabilities from balance sheet	\$ 476,245
10	Add drafts for immediate credit	-
11	Deduct adjustment based on Special Reserve Accounts (15c3-1) (c) (1) (VII)	-
12	Total aggregate indebtedness	<u>\$ 476,245</u>

**Computation of basic net capital requirement**

13	Minimum net capital required (6 2/3% of line 12)	31,749
14	Minimum net capital required of reporting broker	250,000
15	Net capital requirement (greater of line 13 or 14)	250,000
16	Excess net capital (line 8 less line 15)	1,008,052
17	Excess net capital at 1000% (line 8 less 10% of line 12)	1,210,428

**Computation of aggregate indebtedness to net capital**

18	Percentage of aggregate indebtedness to net capital (line 12/line 8)	38%
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There were no material differences between the audited Computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2003 FOCUS filing.

# **Exhibit**

## **Exhibit A**

### **Fort Washington Brokerage Services**

#### **Report on Internal Controls Required by the Securities Exchange Act Rule 17a-5 for a Broker-Dealer Claiming an Exemption from the Securities Exchange Act Rule 15c3-3**

#### **Report of Independent Auditors**

Board of Directors  
Fort Washington Brokerage Services

In planning and performing our audit of the financial statements and supplemental schedule of Fort Washington Brokerage Services (the "Company"), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the criteria stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned criteria. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from



unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the criteria referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not meet such criteria in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's criteria.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

January 23, 2004